

December 2, 2004

WATER/ICRJ/FLC/KKL/RHG

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
AUDIT AND COMPLIANCE BRANCH**

**RESOLUTION W-4508
December 2, 2004**

R E S O L U T I O N

RESOLUTION W-4508. LAKE ALPINE WATER COMPANY (LAWC). REQUEST TO SECURE AN ADDITIONAL SAFE DRINKING WATER STATE REVOLVING FUND (SDWSRF) LOAN IN THE AMOUNT OF \$1,500,000 TO COMPLETE ITS WATER TREATMENT PLANT UPGRADE, AND TO ADD A SURCHARGE TO WATER RATES TO REPAY THE ADDITIONAL LOAN PRINCIPAL AND INTEREST.

By Advice Letter (AL) No. 68 filed on September 13, 2004.

SUMMARY

This Resolution authorizes LAWC to enter into a loan agreement with the Department of Water Resources (DWR) to borrow an additional \$1,500,000¹ under the SDWSRF; and to place in effect six months prior to completion of the project, a corresponding surcharge on existing water rates to repay the additional loan principal and interest.

The estimated annual payment for the additional SDWSRF loan is \$104,255² for the first 10 years and \$94,786 for years 11 to 20.

BACKGROUND

LAWC, a Class D water utility, operates a water utility subject to the jurisdiction of this Commission. The water system serves a population of approximately 134 permanent residents and up to a population of 2500 during peak seasons through 469 service connections (18 metered customers and 451 flat-rate customers) in the Bear Valley Tract,

¹ Resolution (Res.) W-4480 dated July 8, 2004, authorized LAWC to secure a SDWSRF loan in the amount of \$1,037,554 for water system improvements and to impose a surcharge to repay the loan principal and interest.

² Includes \$9,479.27 or 10% reserve in accordance with DWR loan contract security requirements that provision should be made to accumulate sufficient funds to make the semiannual payment when due. This reserve is to be accumulated during the first ten years.

Tract 1, located three miles west of Lake Alpine, adjacent to State Highway 4 in the western portion of Alpine County. LAWC also provides private fire protection service to 5 customers within its service area.

LAWC currently obtains surface water from Bear Lake, which is on an unnamed tributary of Bloods Creek at the northern end of Bear Valley. Raw water from the lake flows to the existing treatment plant via either the lake drainpipe or a floating siphon depending on the quality of water at various depths of the lake. The current lake water treatment process includes prechlorination, some coagulation, in-line pressure filtration, and pH adjustment. The treated water is stored in four reservoirs with a total storage capacity of about 440,000 gallons.

The following information appearing in Res. W-4480 is re-stated below to present the chain of events that prompted LAWC to undertake improvements in its water system:

1. In 1997, LAWC's plant was unable to adequately treat the high turbidity raw water. Consequently, the state Department of Health Services (DHS) issued Citation No. 03-10-97C-001 directing the utility to determine if operational deficiencies or treatment equipment deficiencies were responsible for the failure of the plant to comply with the turbidity performance standard.
2. On October 31, 2000, DHS issued to LAWC Citation No. 03-10-00C-007 for exceeding the lead action level.
3. On December 8, 2000, DHS issued to LAWC Compliance Order No. 03-10-00CO-002 for violation of the surface water treatment regulations. The compliance order formalizes the enforcement of the Surface Water Treatment Regulations in conformity with the compliance program that has been developed to facilitate State Revolving Fund (SRF) financing of the current surface water treatment plant improvement project.
4. On March 15, 2001, Citation No. 03-10-01C-001 was issued to LAWC for violation of Compliance Order No. 03-10-00CO-002. This citation requires LAWC to obtain the professional assistance needed to design the water treatment plant improvements needed to bring the water system into expeditious compliance with the remaining requirements of Compliance Order No. 03-10-00CO-002 and to develop a compliance plan and an updated schedule by April 15, 2001. The citation included an administrative penalty of \$500 for the failure to comply with the first provision in the Compliance Order.

5. Following the citation, LAWC proposed to do the following:

a) In order to meet the turbidity standards year-round and to comply with the 90th percentile lead action levels, LAWC proposed to conduct surface water treatment utilizing membrane filtration and conversion of its existing pressure filters into limestone contactors. Specifically, in order to provide redundancy and reliability, two independently operated 48M10C Memcor filtration skids will be provided. Per manufacturer recommendations, each skid will have 48 modules. The treatment plant portion of the proposed project will involve acquisition and installation of a new treatment plant. This will require a new building. Most of the interior of the building has been vacated around the pressure filters to allow access for installation of the membrane treatment units. This will permit the existing pressure filter plant to remain in production while the new facilities are being installed.

b) The microfiltration treatment process has been evaluated by DHS as an alternative treatment technology and is credited with a 4-log Giardia cysts removal and 0.5-log virus removal. Furthermore, this technology has the ability to physically strain the glacial till from the water producing a treated water turbidity that will consistently meet the turbidity performance standards. The new filtration facilities will replace the existing in-line pressure filter vessels presently used. These existing pressure filter vessels will be converted into limestone contactors for optimum corrosion control. The treated water will be pumped through the limestone pressure vessels to the distribution system. The existing disinfection facilities, corrosion control facilities, and monitoring equipment will remain intact and operate as part of the overall treatment process. The installation of the treatment facilities will require a new building. Cost associated with the new building, as stated earlier, will now be funded by DWR and will be part of the SDWSRF loan.

c) The existing pressure filtration vessels will be converted into limestone bed contactors to provide better corrosion control treatment. This treatment along with use of the existing corrosion control equipment will produce treated water that should enable LAWC to meet the lead action levels.

Two of the three filter vessels will need to be relocated to allow placement of the package filtration facility. The location of the pressure vessels will be in a row down the middle of the east end of the existing plant. Provisions will be made to add the limestone from within the building during winter. Some upgrades will be performed to the old building to facilitate the rearranging of the filter vessels. A slab will be poured for the filters to stand on, and a roll-up door installed for access into the east end of the building. Some of the north side of the building will be removed.

6. By AL No. 65 filed on June 9, 2003, LAWC requested authority to borrow a total of \$1,037,554 for its water system improvements. At that time, four letters from LAWC's customers were received questioning the project and the surcharge. The Water Division replied to the letters and explained that the project, as mandated by DHS, will resolve the problems associated with the existing in-line filtration plant; DHS would monitor the construction; and that the surcharge rates will not generate any income to the utility owner. Res. W-4480 authorized the \$1,037,554 loan to be paid through surcharge rates.
7. On June 1, 2004, LAWC sent out plans and specifications for the construction of the treatment plant to ten different contractors. Because of the restrictions of the utility's service area (high altitude, short working months, distance, and a backlog of work), LAWC received only two bids. The lowest bid is \$1,886,000. The building contract will include the construction of the control building, electrical work, control system, plant piping, micro filtration plant, chlorine generator, limestone system, limestone chips, interior and exterior refurbishing.
8. Approximately \$653,777 is also required for engineering contract, survey-testing and inspections, planning and building fees, electrical connection fees, blueprint and title company expenses, equipments, road construction, management and administrative fees, and provision for contingency.
9. On September 13, 2004, LAWC filed AL No. 68 seeking authorization to borrow an additional \$1,500,000 in order to have sufficient funds to construct the new filtration facilities to be serviced by the lowest bidder and to provide for all other costs associated with the project.
10. Two protest letters were received.

For the year ended December 31, 2003, LAWC reported that it generated total operating revenues of \$295,568 and net income of \$79,708. The company's balance sheet as of December 31, 2003 is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 827,526
Construction Work in Progress	107,639
Current Assets	53,018
Deferred Charges	<u>7,679</u>
Total Assets	<u>\$ 995,862</u>
<u>Liabilities & Equity</u>	
Equity	\$ 651,930
Long-Term Debt	40,097
Current Liabilities	69,178
Net Contributions in Aid of Construction	<u>234,657</u>
Total Liabilities & Equity	<u>\$ 995,862</u>

NOTICE AND PROTESTS

Notice of AL No. 68 was made by publication in the Commission's Daily Calendar of September 15, 2004. A notice of the proposed loan and surcharge rates was mailed to each customer between September 11 and September 14, 2004. On September 21, 2004, the proposed loan and corresponding surcharge rates was published in the Calaveras Enterprise, a local newspaper printed and published once a week, and circulated in all of Calaveras County and Bear Valley in Alpine County.

The bill insert notified LAWC's customers of the result of the bidding for its proposed construction project that is mandated by DHS; the need to borrow an additional \$1,500,000; and the corresponding surcharge rates to repay the loan. The notice also stated that the proposed surcharge rates are based on estimated loan repayment amounts and may change according to the terms of the final loan agreements.

In response to the notice, two customers wrote to the Commission stating (1) the improvements would increase the owner's equity without any actual investment; (2) the utility has a track record of non-compliance with DHS; (3) the existing ratepayers should not be asked to cover costs of expansion; (4) the ratepayers do not gain anything

from the project; (5) each user should pay an equal percentage increase; and (6) water meters should be installed on certain properties.

The Water Division replied to the letters and explained that the surcharge rates will not generate any income to the utility owner; the utility plant financed would be permanently excluded from rate base; there will be a service fee for future customers who will benefit from the expenditures being made from the proceeds of the loan; DHS would monitor the construction; metered service may be requested from the utility; and the computation of the surcharge is based on a formula derived from a rate design (the larger the service, the higher the cost).

DHS also responded to one of the protest letters stating that (1) the treatment plant project is not a discretionary project, (2) one of the requirements of the SDWSRF program is that all construction must go through a competitive bidding process and unfortunately, the lowest responsive bid requires an additional \$1,500,000 funding, and (3) contingency funds may or may not have to be used but sufficient funding must be requested by LAWC to ensure completion of the project.

On November 10, 2004, an inadvertent error in the ratio used for the service charge allocation by meter size was detected. The surcharge rates were re-calculated using the total loan amount of \$2,537,554. On November 12, 2004, LAWC notified ten customers of the corrected surcharge rates for the 1-inch, 1-1/2-inch, 2-inch, 3-inch, and 4-inch meter size of service. No protests have been received. Of the total 469 customers, 459 are not impacted by the re-calculation.

DISCUSSION

The \$1,037,554 SDWSRF loan authorized by Res. W-4480 is now documented in DWR's SDWSRF Contract #SRF00C313 for LAWC's Project #0210001-01. In its letter to the utility, DWR stated that it is the parties' understanding that the total project is estimated at a cost of \$2,537,554. As stated on page five of the letter:

"The State acknowledges that Lake Alpine Water Company, Inc. desires to amend the contract to increase the loan amount to cover the full project cost as soon as Lake Alpine Water Company, Inc. can obtain CPUC approval for such increased borrowing. Subject to availability of funds, and so long as Lake Alpine Water Company, Inc. obtains CPUC approval in a timely manner so as to assure the Project will be completed prior to three (3) years after the execution date of the contract, and so long as Lake Alpine Water Company, Inc. is not in default of any term or condition of the contract, the State agrees to amend the contract to increase the loan

amount to cover the full project cost of \$2,537,554, upon request by Lake Alpine Water Company, Inc.

By AL No. 68, LAWC seeks authority pursuant to Public Utilities (Pub. Util.) Code § 816 et. seq., and Rule 33 of the Commission's Rules of Practice and Procedure to enter into a loan agreement with, and to issue a promissory note (Note) to DWR in connection with a proposed additional long-term loan from the SDWSRF in an amount not to exceed \$1,500,000.

As in the \$1,037,554 loan authorized by Res. W-4480, the interest rate for the additional \$1,500,000 loan will be 2.39% per year. Both loans will be combined and paid for in equal semi-annual installments over 20 years, with a 10% reserve to be accumulated during the first 10 years. LAWC's obligations under the Note will be secured by all of its assets. DWR has advised LAWC that the loan agreement will be DWR's standard form of loan agreement.

The revised construction budget is as follows:

<u>Description</u>	<u>Total</u>
Building Contract	\$1,886,000.00
Engineer Contract	84,667.00
Interest for Central Sierra Bank loan to pay	
Engineer Contract	6,003.94
Survey-Testing and Inspections	10,000.00
Alpine County Planning Fees	1,500.00
Alpine County Building Fees	3,358.76
PUC Fee (for loan #1)	2,038.00
San Jose Blue (blueprints)	1,213.77
Title Company	5,137.00
PG&E Connection Fees	10,500.00
Grading and Paving Access Road	35,000.00
Equipment	35,273.09
Construction Management Fees	56,085.00
Administrative Fees	25,800.00 ³
20% Contingency on Building Contract	<u>377,200.00</u>
Total Construction Costs	\$2,539,776.56
Less: Loan authorized by Res. W-4480	<u>1,037,554.00</u>

³ Includes fidelity insurance of \$5,000 and \$25,800 LAWC administrative fee. Re-imbursement of administrative fee is allowed by DWR provided actual work hours related to the project are documented.

from the same service connection

As shown in Res. W-4480, the estimated annual payment for the \$1,037,554 SDWSRF loan as provided by DWR is \$72,974 for the first 10 years and \$65,564 for years 11 to 20.

The estimated annual payment for the additional \$1,500,000 SDWSRF loan is \$104,254.75 (includes 10% reserve) for the first 10 years and \$94,786.48 for years 11 to 20.

As stated earlier, both loans will be combined under one loan agreement and paid for in equal semi-annual installments over 20 years, with a 10% reserve to be accumulated during the first 10 years. The total surcharge rates to repay the total \$2,537,554 SDWSRF loan (\$1,037,554 plus \$1,500,000) follows:

Metered Service

Size of Service or Meter	Total Surcharge ⁶	
	Years 1-10	Years 11-20
	Monthly <u>Surcharge</u>	Monthly <u>Surcharge</u>
¾-inch meter	\$29.13	\$26.36
1-inch meter	48.55	43.93
1 ½-inch meter	97.11	87.85
2-inch meter	155.37	140.57
3-inch meter	291.32	263.56
4-inch meter	485.54	439.27

Flat Rate Service

	Total Surcharge	
	Years 1-10	Years 11-20
	Monthly <u>Surcharge</u>	Monthly <u>Surcharge</u>
For a single-family Residential unit Including premises	\$29.13	\$26.36
For each additional single-family residential unit on the same premises and served from the same service		

⁶ Using the ratio adopted in the Water Division's Rate Design Policy for Service Charge Allocation by Meter Size.

connection	\$12.53	\$11.33
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The estimated annual payment for a total \$2,537,554 SDWSRF loan is \$177,199 (includes 10% reserve) for the first 10 years and \$160,350 for years 11 to 20.

The monthly bill for a ¾" metered customer using 600 cubic feet of water (at a quantity rate of \$1.76 per 100 cu. ft.) would increase from \$38.05 to \$67.18 or 76.6% for the first 10 years and to \$64.41 or 69.3% for years 11-20.

The monthly bill for a single-family residential flat rate customer would increase from \$49.67 to \$78.80 or 58.7% for the first 10 years and to \$76.03 or 53.1% for years 11-20. Of LAWC's 469 connections, 451 customers or 96.2% are flat rate service.

The need for the additional \$1,500,000 debt is required to fund the project⁷. LAWC will not be able to obtain the loan until the surcharge to be used for repayment of the loan is approved by CPUC. Without the DWR low-cost funding, LAWC will not be able to finish the project and comply with the requirements of DHS to provide adequate, safe and potable water.

LAWC has to comply with the Surface Water Treatment Regulations. Failure to comply with DHS' order would make LAWC subject to additional judicial action including civil penalties as specified in the California Health and Safety Code (CHSC), Sections 116725.

The DHS, our sister agency and a state agency also responsible for the public health and safety of California residents, is fully equipped to establish and enforce water treatment requirements. Pursuant to Commission General Order No. 103, water utilities are required to comply with the laws and regulations of the state or local DHS. To the extent that DHS should issue compliance orders to water utilities under our jurisdiction, as it has in this instance, it is our responsibility to provide the regulated utility the means to comply with such an order.

We are aware that LAWC will not be able to obtain the SDWSRF loan until it demonstrates that it has the source of funds to be used for repayment of the loan and that such dedicated funds are documented in an order or resolution.

Without the DWR low-cost funding, LAWC will not be able to comply with the requirements of DHS and provide adequate, safe and potable water. To the extent that

⁷ LAWC will only use the amount required to complete the project. All claims for reimbursement of costs for the project will be reviewed by DHS and DWR. There will be no funding until claims with accompanying documentation are submitted, reviewed, and approved by both agencies. If the 20% contingency on building contract or \$377,200.00, as shown on page, is not used in full, then the surcharge will be re-computed and adjusted accordingly.

the source of funds requirement remains a condition in this instance, LAWC's financing request cannot be processed and granted without a surcharge authorization.

The facts are that the surcharge rate serves only to repay the loan, will not generate any profit to the utility owners, and will facilitate utility compliance with DHS requirements for safe and potable water. This Commission will authorize LAWC's financing request coupled with the proposed surcharge. The surcharge will be governed by the conditions we set forth in this Resolution to ensure proper accounting and handling.

As PU Code Section 816 states, the power of public utilities to borrow against utility assets is a "special privilege" that can be granted only by the Commission and the Commission must exercise this privilege appropriately. With a state-funded and rate surcharge type of recovery, the utility or its owners do not personally benefit from the SDWSRF loan. DWR monitors the work and advances funds to a utility periodically as portions of the work are completed (this addresses customer concerns on improvements and project completion and assures that the system will have adequate water supply and better quality of water meeting the safe drinking standards set forth by DHS). The rate surcharge on customers' water bills will be sufficient only to make the principal and interest and reserve payments on the loan. There will be no profit for the utility owners. The surcharge will last until the loan is repaid.

Clearly, the ratepayers ultimately pay for all water system requirements and improvements, regardless of the manner in which they are financed. If the utility were able to borrow the money to make the water system improvements entirely from regular commercial sources, it would be far more expensive for the ratepayers than the low cost state funded loan. Likewise, if the utility owners invested their own funds to pay for the water system improvements they would be entitled to similar earnings on such funds.

In this filing, LAWC's proposed water treatment plant upgrade as mandated by DHS would be paid through surcharge and the plant would be permanently excluded from ratebase. The surcharge will offset LAWC's future loan repayments and not generate any profit for the owners.

The Commission has authorized utilities to impose a service fee for new service on vacant and undeveloped lots when such authority is coupled with approval of state funded loan surcharges. The amount of the service fee, subject to a maximum amount, would be the accumulated total of the loan rate surcharge from its inception to the time of service connection. Only the monthly surcharge would apply thereafter.

LAWC is authorized in this Resolution to enter into a loan agreement with DWR for the additional \$1,500,000 funds and to institute surcharges to customers to repay the loan with the following conditions:

1. To ensure adequate accountability of the loan construction funds advanced by DWR to the utility, LAWC should deposit all such funds into a separate bank account. All disbursements of such DWR loan funds should be made from this bank account.
2. The loan repayment surcharge should be separately identified on customers' bills. The utility plant financed through the surcharge should be permanently excluded from rate base for ratemaking purposes.
3. The bank account should be deposited with revenue collected through the surcharge and the interest earned on the revenue. The bank account should be disbursed with payments of principal and interest on the loan.
4. LAWC should deposit all rate surcharges collected with a fiscal agent approved by DWR. Such deposits should be made within 30 days after the surcharges are collected from customers.
5. In accordance with DWR requirements, the 10% reserve will be deposited with a fiscal agent to accumulate a reserve of two semi-annual payments over a 10-year period. Earnings of the reserve fund, net of charges for the fiscal agent's services, will be added to the fund. Net earnings of the reserve fund, together with surcharge amounts collected from customers, will be used to meet the semi-annual loan payment.
6. The surcharge should be adjusted periodically to reflect changes in the number of connections. Such changes in future rates should be accomplished by normal advice letter procedures.
7. The surcharge to repay the loan should last as long as necessary to repay the loan. The surcharge must not be commingled with other utility charges.
8. Any surplus accrued in the bank account shall be refunded or applied on behalf of the customers when ordered by the Commission.

9. A service fee will be chargeable to customers requesting future services to currently undeveloped lots and will be the accumulated total of the monthly surcharge as applied to the property being furnished water service from the initial effective date of the surcharge to the date of connection. The maximum service fee will be \$2,000. The service fee will be due and payable upon connection of water service to the property. This service fee must be deposited with the fiscal agent within 30 days after it is collected from customer. Thereafter the customer shall pay the applicable tariff rates plus the monthly surcharge.
10. In conjunction and in conformance with DHS requirements, LAWC shall use competitive bidding for the construction work authorized by this Resolution.

It is appropriate to emphasize that the surcharge thus authorized will cover only the cost of the loan incurred to finance the improvements and additions. It will not preclude any future rate increase requests to recover rising costs of repair, materials, wages, property taxes, power bills, or other operating expenses that may be incurred in the future.

The proposed surcharge rates are based on the proposed loan amount, the annual revenue requirement, and the current number of customers. The surcharge rates may be adjusted according to changes in project costs and service connections. The surcharge rates will be adjusted by advice letter filing and subject to our General Order 96 approval.

This is an uncontested matter in which the Resolution pertains solely to a water company. Accordingly, pursuant to Pub. Util. Code § 311(g)(3), the 30-day period for public review and comment under § 311(g)(1) does not apply.

FINDINGS

1. The proposed treatment plant improvements are needed to provide safe drinking water and reliable water supply in accordance with the requirements of DHS.
2. The SDWSRF loan provides low-cost capital for the needed water system improvements and is a prudent means of acquiring the additional \$1,500,000 debt capital.
3. With a state-funded and rate surcharge type of recovery, the utility or its owners do not personally benefit from the SDWSRF loan.

4. The DHS, responsible with the California Public Utilities Commission for the public health and safety of California residents, is best equipped to establish and enforce water treatment requirements.
5. LAWC will not be able to obtain the SDWSRF loan until LAWC demonstrates to DWR that the Commission has approved a rate surcharge in an amount necessary to project compliance with the terms and conditions of the loan.
6. DHS has approved LAWC's proposed treatment plant.
7. The proposed borrowing is for proper purposes.
8. LAWC's proposed surcharge for the additional \$1,500,000 loan would generate approximately \$104,255 annually for the first ten years to repay the principal and interest on the loan, and to accumulate a 10% debt reserve and \$94,786 from years ten to the end of the term.
9. The estimated revenue requirement for a total \$2,537.554 SDWSRF loan is \$177,199 for the first ten years and \$160,350 from years eleven to twenty.
10. The establishment of a reserve equal to two semi-annual loan payments is required by DWR administrative regulations.
11. The total surcharge rates for the first 10 years will increase the water rates by \$29.13 per month for approximately 96.2% of LAWC's customers.
12. Authorizing LAWC to encumber its properties, as security for the loan is not adverse to the public interest.
13. The surcharge rates authorized in Appendices A and C are based on the amount of the revenue requirement, meter size, and the number of customers.
14. The surcharge rates to be established to repay the loan should last as long as necessary to repay the loan. Surcharge revenues would not be commingled with other utility charges.
15. The utility plant financed by the loan should be permanently excluded from rate base for ratemaking purposes.
16. Special accounting requirements are necessary to ensure that there are no unintended windfalls to the utility owners. The rate surcharge should be adjusted periodically to reflect changes in the number of connections.
17. LAWC should review annually the rate surcharge and adjust as necessary, by the advice letter procedure, the rate surcharge to reflect changes resulting in overages and shortages in the bank account.
18. Vacant or undeveloped lots will benefit from the expenditures being made from the proceeds of the loan. The benefits include potentially increased property values and

the availability of potable water furnished by a public utility, which meets health standards.

19. It is reasonable to establish a service fee for new connections pertaining to vacant or undeveloped lots since these lots will benefit from these improvements.
20. A maximum lump sum service fee of \$2,000 payable upon connection by customers requesting future services to vacant or undeveloped lots is reasonable.
21. LAWC should pay the fee determined in accordance with Pub. Util. Code § 1904(b).

THEREFORE, IT IS ORDERED THAT:

1. Lake Alpine Water Company, Inc. on or after the effective date of this order, is authorized to borrow an additional \$1,500,000 under the Safe Drinking Water State Revolving Fund for a period of twenty years at 2.39 percent interest; to execute and deliver the loan contract with the California Department of Water Resources (DWR); to encumber its assets in connection with the loan; and to use the proceeds for the purposes described in the body of this order.
2. Lake Alpine Water Company is authorized to file in accordance with General Order No. 96-A, one hundred eighty days prior to DWR's first billing, an advice letter which implements the rate surcharges to customers attached to this order as Appendices A, B, and C. The filing shall become effective on five days' notice.
3. The rate surcharges appearing in Appendices A and C are for the payment of the total loan amount of \$2,537,554, and is inclusive of the surcharges authorized by Resolution W-4480.
4. The authority granted herein shall be subject to the conditions enumerated on pages 12 and 13 of this proceeding (listed as condition numbers 1 through 10).
5. Lake Alpine Water Company shall file with the Water Division a copy of the California Department of Water Resources loan agreement within 15 days of execution.
6. On or before July 31, 2005, and semi-annually thereafter, for as long as the surcharge is imposed, Lake Alpine Water Company shall send a comparative report to the Director of the Water Division stating the changes in the number of connections by type of customer and by size of connection, the amount of service fee collected, the outstanding balance of the loan, and the overages and shortages in the utility's balancing account. Lake Alpine Water Company shall also indicate in the report if an advice letter will be forthcoming to reflect changes in the surcharge rate.

7. The authority granted by this order shall become effective when Lake Alpine Water Company pays \$2,500⁸, the fee set forth by Public Utilities Code § 1904.

⁸ The amount subject to the fee is \$1,500,000. The fee is determined as follows: $(\$2 \times (1,000,000/1,000)) + (\$1 \times (500,000/1,000)) = \$2,500$.

8. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 2, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A

Schedule No. 1B

METERED SERVICE SURCHARGE

APPLICABILITY

Applicable to all metered service. This surcharge is specifically for the repayment of the Safe Drinking Water State Revolving Fund (SDWSRF) loan as requested in Advice Letter No. 65 filed on June 9, 2003 and Advice Letter No. 68 filed on September 13, 2004.

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

SDWSRF LOAN REPAYMENT SURCHARGE

Size of Service or Meter	<u>Years 1-10</u>	<u>Years 11-20</u>
	Monthly Surcharge	Monthly Surcharge
¾-inch meter	\$ 29.13	\$ 26.36
1-inch meter	48.55	43.93
1 ½-inch meter	97.11	87.85
2-inch meter	155.37	140.57
3-inch meter	291.32	263.56
4-inch meter	485.54	439.27

SPECIAL CONDITIONS

1. This surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the SDWSRF loan authorized by Resolution W-4480 and Resolution W-4508.
2. The customers will be billed every quarter each consisting of three months of surcharge payments.
3. The surcharge rates are subject to periodic adjustment.

APPENDIX B

Schedule No. 1C

SAFE DRINKING WATER STATE REVOLVING FUND LOAN
UNDEVELOPED LOT CHARGE

APPLICABILITY

Applicable to undeveloped lots within Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County. This service charge is specifically for the repayment of the Safe Drinking Water State Revolving Fund (SDWSRF) loan as requested in Advice Letter No. 65 filed on June 9, 2003 and Advice Letter No. 68 filed on September 13, 2004.

RATES

A service charge to provide for reduction of the SDWSRF loan surcharge is chargeable to customers requesting future service to undeveloped lots.

The service charge shall be the accumulated total of the surcharge provided for in the utility's tariff book, as applied to the property being furnished water service from the effective date of this advice letter to the date of connection. The maximum service charge shall be \$2,000. The service charge shall be due and payable upon connection of water service to the lot. The Metered Service surcharge or the Residential Flat Rate Service surcharge authorized by the Commission, as contained in the utility's tariff book will apply thereafter.

APPENDIX C

Schedule No. 3A

RESIDENTIAL FLAT RATE SERVICE SURCHARGE

APPLICABILITY

Applicable to all flat rate residential water service. This surcharge is specifically for the repayment of the Safe Drinking Water State Revolving Fund (SDWSRF) loan as requested in Advice Letter No. 65 filed on June 9, 2003 and Advice Letter No. 68 filed on September 13, 2004.

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

SDWSRF LOAN REPAYMENT SURCHARGE

	<u>Years 1-10</u> Monthly Surcharge	<u>Years 11-20</u> Monthly Surcharge
For a single-family residential Unit including premises	\$29.13	\$26.36
For each additional single-family residential Unit on the same premises and served from The same service connection	\$12.53	\$11.33

SPECIAL CONDITIONS

1. This surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the SDWSRF loan authorized by Resolution W-4480 and Resolution W-4508.
2. The customers will be billed every quarter each consisting of three months of surcharge payments.
3. The surcharge rates are subject to periodic adjustment.

Resolution W-4508

DRAFT

December 2, 2004

Lake Alpine Water Co. AL No. 68/ICRJ/FLC/KKL/RHG